RECORD AND BRIEFS

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In the Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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TABLE OF CONTENTS

Page

Table of Authorities ii

Interest of the *Amicus Curiae* 1

Introduction and Summary of Argument 2

Argument 5

I. Inter Partes Review Enables The PTO To Correct Its Own Errors And Cancel Wrongfully-Issued Patents That Otherwise Would Deter Innovation And Chill Competition. 5

A. Patent quality is essential to innovation. 5

B. Inter partes review weeds out wrongfully-granted patents. 7

1. The PTO faces a daunting task in assessing the validity of patent applications. 7

2. Post-grant administrative procedures—such as inter partes review—enable the PTO to correct erroneous patent grants. 9

II. The Seventh Amendment Does Not Render Inter Partes Review Unconstitutional. 14

III. Patents May Be Canceled In Administrative Proceedings. 18

Conclusion 24

TABLE OF AUTHORITIES

Page(s)

Cases

Aronson v. Quick Point Pencil Co.,
440 U.S. 257 (1979) 5

Atlas Roofing v. *Occupational Safety & Health Rev. Comm'n*,
430 U.S. 442 (1977) 18

Bilski v. *Kappos*,
561 U.S. 593 (2010) 6

Block v. *Hirsh*,
256 U.S. (1921) 18

Brown v. *Duchesne*,
60 U.S. (19 How.) 183 (1856) 22

Cox v. *United States*,
332 U.S. 442 (1947) 18

Cuozzo Speed Techs., LLC v. *Lee*,
136 S. Ct. 2131 (2016) 7, 11, 17

Feltner v. *Columbia Pictures Television, Inc.*,
523 U.S. 340 (1998) 14

Graham v. *John Deere Co.*,
383 U.S. 1 (1966) 5

Granfinanciera, S.A. v. *Nordberg*,
492 U.S. 33 (1989) 18, 19

In re Hall,
781 F.2d 897 (Fed. Cir. 1986) 8

Hecht Co. v. *Bowles*,
321 U.S. 321 (1944) 17

Horne v. *Dep't of Agric.*,
135 S. Ct. 2419 (2015) 22

TABLE OF AUTHORITIES—continued

Page(s)

Hunt v. *Howe*,
12 F. Cas. 918 (C.C.D.D.C. 1855) 20

James v. *Campbell*,
104 U.S. 356 (1882) 22

Kimble v. Marvel Entm't, LLC,
135 S. Ct. 2401 (2015) 5

In re Klopfenstein,
380 F.3d 1345 (Fed. Cir. 2004) 8

KSR Int'l Co. v. *Teleflex Inc*,
550 U.S. 398 (2007) 13

Markman v. *Westview Instruments, Inc.*,
517 U.S. 370 (1996) 14

Massachusetts Inst. of Tech. v. *AB Fortia*,
774 F.2d 1104 (Fed. Cir. 1985) 8

Mayo Collaborative Servs. v.
Prometheus Labs., Inc.,
566 U.S. 66 (2012) 5

McClurg v. *Kingsland*,
42 U.S. (1 How.) 202 (1843) 19

Microsoft Corp. v. *i4i Ltd. P'ship*,
564 U.S. 91 (2011) 13

N. Pipeline Const. Co. v. *Marathon Pipe Line Co.*,
458 U.S. 50 (1982) 21

Pernell v. *Southall Realty*,
416 U.S. 363 (1974) 18

TABLE OF AUTHORITIES—continued

Page(s)

Precision Instrument Mfg. Co. v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945) 12

Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 (1964) 23

Stern v. *Marshall*, 564 U.S. 462 (2011) 19, 21, 23

Thomas v. *Union Carbide Agricultural Prods. Co.*, 473 U.S. 568 (1985) 21, 23

Tull v. *United States*, 481 U.S. 412 (1987) 18

United States v. *Line Materials Co.*, 333 U.S. 287 (1948) 23

Constitutional Provisions, Statutes, and Regulations

U.S. Const. art. I, § 8, cl. 8 19

35 U.S.C.
§ 2(a) 20
§ 101 19
§ 102 ..... 6, 19
§ 103 ..... 6, 19
§ 154(a)(2) 23
§ 261 24
§ 282(a) 13
§ 302 9
§ 304 9
§ 311 ..... 16, 17
§ 316(a) 12

TABLE OF AUTHORITIES—continued

Page(s)

§ 321 13

35 U.S.C. § 135 (1952) 20

35 U.S.C. § 314(b)(3) (2000) 10

Act of Dec. 12, 1980, Pub. L. No. 96-517, § 1, 94 Stat. 3015 9

Bankruptcy Act of 1841, Ch. 9, § 1, 5 Stat. 440, 440-442 21

Bankruptcy Act of 1867, Ch. 176, § 2, 14 Stat. 517, 518 21

Patent Act of 1790, Ch. 7, § 1, 1 Stat. 109, 110 2

Patent Act of 1836, Ch. 357, § 8, 5 Stat. 117, 120-121 (July 4, 1836) 20

Patent Act of 1870, Ch. 230, § 42, 16 Stat. 198, 204 (July 8, 1870) 20

37 C.F.R. §§ 42.1-42.80 12

Other Authorities

157 Cong. Rec. 2,707 (2011) 6

157 Cong. Rec. 2,843 (2011) 8

157 Cong. Rec. 3,401 (2011) 9

157 Cong. Rec. 13,024 (2011) 12

America Invents Act, Hearing before the Subcomm. on Intellectual Property, Competition and the Internet of the H. Judiciary Comm., 112th Cong. (2011) 10

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Page(s)

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Julie E. Cohen & Mark A. Lemley, *Patent Scope & Innovation in the Software Industry*, 89 Cal. L. Rev. 1 (2001) 8

Homersham Cox, *The British Commonwealth: or A Commentary on the Institutions and Principles of British Government* (1854) 15

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Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review May Help*, 19 Berkeley Tech L.J. 943 (2004) 7

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H.R. Rep. No. 112-98 (2011) 7, 11

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Sharon Hamby O'Connor & Mary Sarah Bilder, *Appeals to the Privy Council before American Independence: An Annotated Digital Catalogue*, 104 L. Lib. J. 83 (2012) 15

Patent Quality Improvement: Post Grant Opposition: Hearing before the Subcomm. on the Courts, the Internet, and Intellectual Property of the H. Judiciary Comm., 108th Cong. (2004) 10

S. Rep. No. 110-259 (2008) 11

U.S. Patent & Trademark Office, Performance and Accountability Report, Fiscal Year 2016 (Nov. 14, 2016) 3

BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

INTEREST OF THE *AMICUS CURIAE*

BSA | The Software Alliance is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. Because patent policy is vitally important to promoting the innovation that has kept the United States at the forefront of software and hardware development, BSA members have a strong stake in the proper functioning of the U.S. patent system.[1]

BSA members are among the Nation's leading technology companies, producing much of the hardware and software that power computer and telecommunication networks. Due to the complexity and commercial success of their products, these companies are frequently the subject of patent infringement claims.

At the same time, by virtue of their inventions, BSA members hold tens of thousands of patents. Because they are both innovators as well as substantial patent holders, BSA members have a particularly

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[1] Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties' blanket consent letters to the filing of *amicus* briefs have been filed with the Clerk's office.

acute interest in properly calibrated mechanisms for ensuring patent quality.

The members of BSA include Adobe, ANSYS, Apple, Autodesk, Bentley Systems, CA Technologies, CNC/Mastercam, DataStax, DocuSign, IBM, Microsoft, Oracle, salesforce.com, SAS Institute, Siemens PLM Software, Splunk, Symantec, TheMathWorks, TrendMicro, Trimble Solutions Corporation, and Workday.

INTRODUCTION AND SUMMARY OF ARGUMENT

Congress, in the very first Patent Act adopted in 1790, recognized that applying the standards for determining whether a claimed invention is patentable was a specialized task requiring technical expertise. It therefore designated a Patent Board consisting of the Secretary of State (who at the time was the inventor Thomas Jefferson), the Secretary of War, and the Attorney General and delegated to that Board the responsibility for evaluating patent applications and issuing patents "if they shall deem the invention or discovery sufficiently useful and important." Patent Act of 1790, Ch. 7, § 1, 1 Stat. 109, 110.

As fields of invention have multiplied and technology has become more complex, considerably greater expertise is required to determine whether a claimed invention satisfies the statutory standards for issuing a patent. Thus, the function once performed by the Patent Board is now served by the Patent and Trademark Office (PTO), which employs

some 8,000 patent examiners and issues more than 300,000 patents each year.[2]

The PTO possesses substantial technical expertise, but its process for determining whether a patent should issue is not perfect. The hundreds of thousands of patent applications that the PTO receives each year and the complexity of many of those applications make it impossible for the Office to identify and review all of the relevant information bearing on the merits of each application.

Congress—recognizing this problem, and the substantial harm to innovation and competition that result from wrongfully-issued patents—has therefore determined that it is necessary to create a backstop procedure to enable correction of errors in the initial examination process. It has established administrative procedures through which the PTO may revisit its decisions to issue a patent and cancel the patent's claims if it finds that the patent, or some of its claims, should not have been granted.

The PTO has long had this authority to adjudicate patent validity. As early as the nineteenth century, the PTO adjudicated interference proceedings between a new patent application and an already-granted patent (to determine patent priority). More recently, Congress created the ex parte reexamination and inter partes reexamination procedures, both

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[2] See U.S. Patent & Trademark Office, *Performance and Accountability Report, Fiscal Year 2016* at 15 (Nov. 14, 2016), https://www.uspto.gov/sites/default/files/documents/USPTOFY16PAR.pdf (PTO employed 8,351 patent examiners at the end of FY2016); *id.* at 181 (PTO issued 329,612 patents in FY2014, 322,449 patents in FY2015, and 334,107 patents in FY2016).

of which allowed a third party to request reexamination of an existing patent.

Petitioner argues that inter partes review—the most recent effort by Congress to create an effective administrative process for canceling wrongfully-issued patents—must be invalidated because it cancels patents without a jury trial or the involvement of an Article III court. Those arguments are meritless: patents are undisputedly a form of property, but neither the Seventh Amendment nor Article III is a bar to cancellation of patents in administrative proceedings such as inter partes review.

The Seventh Amendment, this Court has repeatedly held, does not apply to equitable claims, and an inter partes review proceeding—in which the only possible "relief" is modification or cancellation of patent claims—is equitable in nature. In any event, where the Constitution permits adjudication by a non-Article III tribunal, the Seventh Amendment does not apply—and inter partes review does not violate Article III.

This Court has held time and again that entitlements created by federal law can be adjudicated in administrative proceedings, rather than Article III courts. That well-established principle disposes of this case.

Inter partes review—like the forms of post-grant administrative patent review that preceded it—serves a critically important role in the patent system. The complexity of modern technology and the limited resources available to the PTO make it impossible for the PTO to screen out all unpatentable claims in its initial patent examinations. It is therefore essential that the PTO have the opportunity to

revisit the question of patentability post-grant. Without inter partes review, more wrongfully-issued patents will remain in place, deterring innovation and creating a drag on the Nation's economy. The decision below should accordingly be affirmed.

ARGUMENT

I. Inter Partes Review Enables The PTO To Correct Its Own Errors And Cancel Wrongfully-Issued Patents That Otherwise Would Deter Innovation And Chill Competition.

A. Patent quality is essential to innovation.

This Court has explained that a patent is "a reward, an inducement, to bring forth new knowledge." *Graham* v. *John Deere Co.*, 383 U.S. 1, 9 (1966). "[T]he promise of exclusive rights provides monetary incentives that lead to creation, invention, and discovery. On the other hand, that very exclusivity can impede the flow of information that might permit, indeed spur, invention." *Mayo Collaborative Servs.* v. *Prometheus Labs., Inc.*, 566 U.S. 66, 92 (2012).

The standards established by Congress for granting a patent strike this balance "between fostering innovation and ensuring public access to discoveries." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2406-07 (2015). "[T]he stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public." *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). And there is, accordingly, a "strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain." *Id.* at 264. See also *Graham*, 383 U.S. at 19.

Those requirements, set forth in the Patent Act, include, for example, novelty (35 U.S.C. § 102) and nonobviousness (*id.* § 103). Patents that should not have been issued—those in which the invention claimed is obvious, not novel, or otherwise fails the statutory standards—damage the public interest in several ways.

To begin with, such patents chill the development of new technologies. In fields where important technologies or methods can be monopolized by wrongfully issued patents, "patent examiners and courts could be flooded with claims that would put a chill on creative endeavor and dynamic change." *Bilski* v. *Kappos*, 561 U.S. 593, 608 (2010); Fed. Trade Comm'n, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, *Executive Summary*, at 5 (Oct. 2003) ("One firm's questionable patent may lead its competitors to forego R&D in the area that the patent improperly covers.").

A competitor that does choose to enter the market, meanwhile, may be forced to agree to unnecessary licenses, driving up its costs. *Id.*, Ch. 5, at 2-3; 157 Cong. Rec. 2,707 (2011) (remarks of Sen. Leahy) ("Patents of low quality and dubious validity" enable the strategic use of infringement litigation, or threats of such litigation, to "extort unreasonable licensing fees from legitimate businesses," producing "a drag on innovation.").

Competitors also may face patent infringement lawsuits from holders of wrongfully-issued patents—generating tremendous litigation and settlement costs. One survey of patent practitioners, for example, calculated that in cases where more than $25 million was at stake, the median cost of litigation

was $5 million. American Intellectual Property Law Association 2015 Report of the Economic Survey 37-38 (2015).

The costs inflicted by wrongfully-issued patents are ultimately borne by consumers. See Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review May Help*, 19 Berkeley Tech L.J. 943, 946 (2004) ("[A]n improper patent is typically an unwarranted burden on consumers and on other innovation.").

Such unjustified patents may delay or even preclude the development of new products for consumers. And because they deter would-be inventors from entering the marketplace, they chill competition—further increasing the prices that consumers pay.

Congress itself recognized the need to "'improve patent quality and restore confidence in the presumption of validity that comes with issued patents'"—which is precisely why it enacted the America Invents Act. *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2139-40 (2016) (quoting H.R. Rep. No. 112-98, at 45, 48 (2011)).

B. Inter partes review weeds out wrongfully-granted patents.

1. The PTO faces a daunting task in assessing the validity of patent applications.

The PTO's primary opportunity to prevent a wrongful patent grant is at the application stage, when it assesses whether an inventor has met the requirements for patentability. But the PTO is not perfect. It can and does make mistakes and issues

patents for inventions that, in fact, do not satisfy the statutory standards.

For example, the PTO may fail to recognize that the claimed invention was anticipated by prior art or was otherwise obvious. Relevant prior art may be overlooked because it is difficult to find or available only from an obscure source. A patent can be invalidated based on an unpublished doctoral thesis available only in the library of Freiburg University. *In re Hall*, 781 F.2d 897, 899-900 (Fed. Cir. 1986). A paper orally presented in an open forum constituted a "printed publication" for purposes of prior art, even when a mere six copies were distributed. *Massachusetts Inst. of Tech.* v. *AB Fortia*, 774 F.2d 1104, 1109 (Fed. Cir. 1985). And a 14-slide lecture, orally presented, and then displayed on poster boards for less than three days at an association meeting, was found to be prior art—even though the lecture was never disseminated nor indexed in a library. *In re Klopfenstein*, 380 F.3d 1345, 1350-51 (Fed. Cir. 2004).

Prior art may also be difficult to discover because inventions in some industries are not well catalogued. For example, "most software inventions are not described in published journals," a problem "the PTO itself ha[s] recognized" makes searching for prior art in the software realm difficult. Julie E. Cohen & Mark A. Lemley, *Patent Scope & Innovation in the Software Industry*, 89 Cal. L. Rev. 1, 13, 42 (2001).

In short, "[i]t is unrealistic to believe a patent examiner would know all of the places to look for [relevant] information" at the examination stage, "and even if the examiner knew where to look, it is unlikely he or she would have the time to search all of these nooks and crannies." 157 Cong. Rec. 2,843 (2011) (remarks of Sen. Klobuchar). Resource limita-

tions also may prevent the PTO from identifying and examining all relevant art during patent prosecution. "Patent examiners are facing a difficult task" in weeding out low-quality patents "given the explosion in the number of applications and the increasing complexity of those applications." 157 Cong. Rec. 3,401 (2011) (remarks of Sen. Leahy).

2. Post-grant administrative procedures—such as inter partes review—enable the PTO to correct erroneous patent grants.

Recognizing the limitations of the PTO at the initial examination stage, Congress has repeatedly sought to bolster the PTO's ability to police patent quality by creating post-grant administrative processes in which the PTO can reassess the decisions made in initial patent examinations and cancel improper patent claims.

First, in 1980, Congress authorized the PTO to conduct ex parte reexaminations. See Act of Dec. 12, 1980, Pub. L. No. 96-517, § 1, 94 Stat. 3015. Under the 1980 law, "[a]ny person" may request reexamination of the claims in a patent based on prior art. 35 U.S.C. § 302. If the PTO's Director determined that a request raises a substantial new question of patentability regarding one or more claims of the patent, the Director can order reexamination of the patent. *Id.* § 304. The patent owner is permitted to file a statement on the issue, and the requester of the reexamination is permitted to file a response. *Ibid.*

Given the limited scope of participation by the third party requester—a single reply to the patentee's statement on patentability—"potential challengers have regarded ex parte reexamination as an insufficient mechanism" for challenging and reexamin-

ing issued patents. *Patent Quality Improvement: Post Grant Opposition: Hearing before the Subcomm. on the Courts, the Internet, and Intellectual Property of the H. Judiciary Comm.*, 108th Cong. 5 (2004) (testimony of James A. Toupin, General Counsel, PTO) ("Patent Quality Hearing").

Congress, in 1999, created a second procedure, "inter partes reexamination," which resembled ex parte reexamination but allowed third-party requesters to participate to a greater extent in the proceedings, by filing comments on a patentee's response to an action of the PTO during the reexamination. See 35 U.S.C. § 314(b)(3) (2000).

Inter partes reexamination did not prove to be any more attractive to third-party requesters than ex parte reexamination. Although it allowed greater participation by the third-party requester, a requester still lacked the ability to conduct discovery or cross-examine a patentee's evidence, which deterred third parties from using the procedure. Patent Quality Hearing at 9 (statement of James A. Toupin). Would-be requesters were also reluctant to initiate inter partes reexaminations because they would be bound by the result of the proceedings in subsequent litigation. *Ibid.*

The consequence of these limitations, as the PTO repeatedly informed Congress, was that that the procedure was being underutilized. See, *e.g.*, *America Invents Act, Hearing before the Subcomm. on Intellectual Property, Competition and the Internet of the H. Judiciary Comm.*, 112th Cong. 51-52 (2011) (testimony of David J. Kappos, Under Sec'y of Commerce for Intellectual Property & Dir., PTO) (agreeing that from 1999 through 2010, decisions were issued in 221 inter partes reexaminations); Patent Quality

Hearing at 9 (statement by Toupin noting that in the five years preceding 2004, PTO had issued approximately 900,000 patents and received only 46 requests for inter partes reexamination).

Because ex parte reexamination and inter partes reexamination were rarely invoked, neither process improved patent quality. In 2004, for example, the National Academy of Sciences (NAS) concluded in a well-publicized report that "[t]here are several reasons to suspect that more issued patents are deviating from . . . desirable standards of utility, novelty, and especially non-obviousness." Stephen A. Merrill et al., Comm. on Intellectual Property Rights in the Knowledge-Based Economy, Nat'l Research Council, *A Patent System for the 21st Century* at 51 (2004). NAS called upon Congress to create a new post-grant review procedure that would allow third parties to participate to a greater extent, and to challenge patentability on more grounds, than they could in existing procedures. *Id.* at 96-97.

Legislators agreed with the NAS's assessment, concluding that reexamination "remains troublesomely inefficient and ineffective" and that "[t]he time has come to eliminate the inter partes reexamination system and replace it with a new post-grant review system at the" PTO. S. Rep. 110-259, at 4 (2008).

In 2011, Congress replaced inter partes reexamination with inter partes review, citing "a growing sense that questionable patents are too easily obtained and are too difficult to challenge." H.R. Rep. No. 112-98, at 39. Congress concluded that providing a more "efficient system for challenging patents that should not have been issued" would strengthen the patent system. *Id.* at 39-40, 45, 48. See also, *e.g.*,

Cuozzo Speed Techs., 136 S. Ct. at 2144 (observing that "inter partes review helps protect the public's 'paramount interest in seeing that patent monopolies * * * are kept within their legitimate scope'") (quoting *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945)).

During inter partes review, the petitioner for review and the patentee both participate fully in the proceeding before the PTO's Patent Trial and Appeal Board. That proceeding can include discovery, affidavits, briefing, and oral argument, as necessary. See 35 U.S.C. § 316(a); 37 C.F.R. §§ 42.1-42.80.

These processes are an important means for detecting and invalidating patents that were wrongfully issued. They allow the PTO—the expert administrative agency that makes patentability decisions in the first place—to bring its technical knowledge to bear and reexamine the decision to grant a patent in light of new evidence. By establishing a multi-party process, inter partes review also leverages the knowledge, expertise, and resources of industry participants. The benefits of involvement by third parties are particularly important given the increasing complexity of the technology that is often at issue. See 157 Cong. Rec. 13,024 (2011) (remarks of Sen. Klobuchar) ("[T]hird parties are often in the best position to challenge a patent application. Without the benefit of this outside expertise, an examiner might grant a patent for technology that simply isn't a true innovation.").

There is another extremely important reason why Congress empowered the PTO to correct an erroneously-issued patent. In patent infringement litigation, a patent carries a presumption of validity,

which may be rebutted only if the party challenging the patent satisfies the "clear and convincing evidence" standard. 35 U.S.C. § 282(a); *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). The justification for that high evidentiary burden, is "that the PTO, in its expertise, has approved the [patent] claim." *KSR Int'l Co.* v. *Teleflex Inc*, 550 U.S. 398, 426 (2007).

If the PTO could not cancel wrongfully-issued patents, the clear and convincing evidence test would shield many of those patents from invalidation—because the evidence of invalidity, although strong, is not sufficient to overcome that burden. A procedure before the PTO addresses that concern and ensures that the high evidentiary burden will not protect erroneously-issued patents.

Accepting petitioner's argument and invalidating inter partes review would thus eliminate a critically important mechanism for cancelling wrongfully-issued patents, and thereby inflict harm on inventors and consumers alike.[3]

Beyond that, petitioner's arguments would effectively doom *all* PTO review processes for existing patents, because petitioner offers no compelling reason to distinguish inter partes review from ex parte reexamination (or from post-grant review under 35 U.S.C. § 321, another review process created by the America Invents Act). Petitioner argues in passing that ex parte reexamination is an "interactive proceeding between the agency and the patent owner"

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[3] There may be concerns about aspects of the PTO's implementation of inter partes review, but any such concerns have no bearing on the constitutional questions before the Court.

that lacks "all the trappings of litigation" (Pet. Br. 50), but that distinction makes no difference. In both procedures, a non-Article III decision maker may cancel patent claims—a power that, according to petitioner, may be exercised solely by an Article III court. *Id.* at 20-27. See also U.S. Br. 24 ("At the end of both proceedings, however, the agency makes the same decision: whether a patent (or particular patent claims) should be cancelled."). If petitioner prevails, therefore, ex parte reexamination and post-grant review are likely also to disappear—and with them any ability of the PTO to police the quality of patents after they are granted.

II. The Seventh Amendment Does Not Render Inter Partes Review Unconstitutional.

Petitioner argues (Pet. Br. 50-58) that inter partes review violates patentees' Seventh Amendment rights, but the Seventh Amendment has no application to inter partes review.

The Seventh Amendment exists to "preserve the substance of the common-law right [to trial by jury] as it existed in 1791." *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996). It therefore does not apply in cases in which "equitable rights alone [a]re recognized, and equitable remedies [a]re administered." *Feltner* v. *Columbia Pictures Television, Inc.*, 523 U.S. 340, 348 (1998). Multiple factors confirm that inter partes review is an equitable proceeding outside the scope of the Seventh Amendment.

First, in 1791, English law provided a means by which a non-judicial body could cancel patents.

For many years prior to 1791, English patents contained "revocation" clauses, stating that "if on ex-

amination of the patent before the Privy Council, * * * the [patent] grant was certified to be inconvenient or prejudicial to the realm, * * * the patent immediately, or at the end of a specified period of notice, was to be void and frustrate." See D. Seaborne Davies, *The Early History of the Patent Specification*, 50 L.Q. Rev. 86, 102-103 (1934). The Council most frequently revoked "for non-use[] or for lack of novelty, or because the patentee was not the first inventor." *Id.* at 103-104.

The Privy Council was a "body of advisers[] counseling the sovereign on administrative, legislative, and judicial matters." Sharon Hamby O'Connor & Mary Sarah Bilder, *Appeals to the Privy Council before American Independence: An Annotated Digital Catalogue*, 104 L. Lib. J. 83, 84 (2012). The Council consisted of an "indefinite number" of Privy Councillors, including "the Royal Family, the Archbishops, and some of the bishops [of the Church of England], most of the principal judges, the Speaker of the House of Commons, the [sovereign's] ambassadors, and those who ha[d] been appointed to the chief administrative offices." Homersham Cox, *The British Commonwealth: or A Commentary on the Institutions and Principles of British Government*, 109, 388-389 (1854).

Thus, at the time relevant for determining the applicability of the Seventh Amendment, there was a recognized, non-judicial, administrative body—the Privy Council—with authority to cancel patents through action that did not involve a jury. The analogous process of inter partes review therefore does not violate the Seventh Amendment.

Certain *amici* argue that the Privy Council is not an appropriate precedent because the Privy Council

purportedly stopped canceling patents after 1779. See Gomez-Arostegui & Bottomley *Amicus* Br. at 35; Alliacense *Amicus* Br. at 11. But, as these *amici* concede, patents continued to contain revocation clauses for many years afterwards, and there are records of applications for revocation to the Privy Council in 1782 and 1794. See E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794*, 33 L.Q. Rev. 180, 193 (1917). Whether or not the revocation mechanism was frequently used, it nonetheless plainly remained in existence and provided an alternative to infringement actions in court.[4]

Second, the primary purpose of inter partes review is to allow the PTO to correct its own errors and efficiently administer the patent system; it is not a means of resolving disputes between private parties.

To be sure, inter partes review may *sometimes* help avoid or resolve litigation between the patentee and the party that instigates the review. But inter partes review is not limited to claims or parties in litigation; any person other than the patentee can institute an inter partes review (35 U.S.C. § 311(a)), and the review can encompass any claim in the patent (*id.* § 311(b)), without regard to whether the petitioning party is alleged to be infringing the patent

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[4] Suits at law are not appropriate historical precedent for inter partes review in any event. A patent invalidity defense in a suit at law "was not a challenge to the patent itself. At most a court could deny relief to the patentee in the case before it because it believed the patent did not comply with the law; it had no power to revoke the patent"—which is what the PTO does in inter partes review and what the Privy Council did in its proceeding. Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1682 (2013).

or any particular claim thereof. Indeed, the petitioning party "may lack constitutional standing" of any kind, and it "need not remain in the proceeding; rather, the [PTO] may continue to conduct an inter partes review even after the adverse party has settled." *Cuozzo*, 136 S. Ct. at 2144.

Petitioner is therefore wrong in asserting that "the point" of inter partes review is to "[t]ransfer[] the adjudication" of patent questions from juries to the PTO (Pet. Br. 56), and that inter partes review is a substitute for litigation. Congress designed inter partes review to have a much broader reach, which is why this Court has squarely rejected the argument that inter partes review is a "surrogate for court proceedings." *Cuozzo*, 136 S. Ct. at 2143.[5]

Third, the principal beneficiary of an inter partes review proceeding is the public. As we have explained, maintaining patent quality is essential to the public interest. Inter partes review thus promotes the public interest in a manner that accords with principles of equity. See, *e.g.*, *Hecht Co.* v. *Bowles*, 321 U.S. 321, 329-30 (1944) ("The qualities of mercy and practicality have made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as be-

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[5] To the extent petitioner's argument is that in practice today many or even most inter partes review proceedings relate to patents that also are the subject of court litigation, that circumstance has no bearing on the constitutionality of Congress's plan, because that plan broadly confers eligibility to institute inter partes review proceedings—thus, Article III standing is not required. See 35 U.S.C. §§ 311-312. There is every reason to believe that as inter partes review proceedings become more established, and the rules governing them refined, they will be invoked by broader and different classes of petitioners.

tween competing private claims."). While the public also benefits when an erroneously-granted patent is held invalid in an infringement action—because that determination often may be asserted to estop the patentee from asserting the patent in subsequent proceedings against different parties—Congress created inter partes review to allow the PTO to apply its expertise to re-evaluate the propriety of the patent. That process plainly furthers the public interest; in addition, inter partes review results in the patent's cancellation, not simply a judgment of invalidity in a particular case.

Finally, this Court squarely held in *Granfinanciera, S.A.* v. *Nordberg* that, "if Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder." 492 U.S. 33, 53-54 (1989) (citing *Atlas Roofing* v. *Occupational Safety & Health Rev. Comm'n*, 430 U.S. 442, 453-55, 460 (1977); *Pernell* v. *Southall Realty*, 416 U.S. 363, 383 (1974); *Block* v. *Hirsh*, 256 U.S. at 135, 158 (1921)). See also *Tull* v. *United States*, 481 U.S. 412, 418 n.4 (1987) ("[T]he Seventh Amendment is not applicable to administrative proceedings."); *Cox* v. *United States*, 332 U.S. 442, 453 (1947) ("[T]he constitutional right to jury trial does not include the right to have a jury pass on the validity of an administrative order."). As we next discuss, Article III is no bar to inter partes review—which means that the Seventh Amendment does not apply.

III. Patents May Be Canceled In Administrative Proceedings.

When Congress, "acting for a valid legislative purpose pursuant to its constitutional powers under

Article I," creates a "right" that is "closely integrated into a public regulatory scheme," that right is "a matter appropriate for agency resolution with limited involvement by the Article III judiciary." *Granfinanciera*, 492 U.S. at 54 (quotation marks and brackets omitted). The critical question is whether the "right" at issue "is integrally related to particular federal government action." *Stern* v. *Marshall*, 564 U.S. 462, 490-91 (2011).

There can be no doubt that, under this standard, patent cancellation is a "matter appropriate for agency resolution."

1. Article I gives Congress express authority to define and control the scope of patents. See U.S. Const. art. I, § 8, cl. 8 ("The Congress shall have power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."). As the body with "plenary" authority to "legislate upon the subject of patents" (*McClurg* v. *Kingsland*, 42 U.S. (1 How.) 202, 206 (1843)), Congress has the exclusive ability to define when patents may be conferred and concomitantly how they may be revoked. Patent law is thus the paradigmatic example of an area in which Congress is entitled to vest authority in an administrative agency rather than an Article III tribunal.

Congress, exercising its Article I powers, and in furtherance of the Constitution's mandate to ensure that patents promote the progress of the "useful arts," has established a number of statutory criteria that a patent applicant must satisfy in order to obtain a patent. See 35 U.S.C. §§ 101-103.

And Congress has delegated administration of the patent system to the PTO, a specialized agency with expertise in reviewing and evaluating patent claims that applies these statutory standards and determines when a patent may issue. See 35 U.S.C. § 2(a).

Moreover, Congress has long authorized the PTO to correct errors in its initial decisions on patent applications.

Under the first-to-invent system that existed prior to the America Invents Act, if the claims in an application for a patent overlapped with those of an existing patent, the PTO could conduct an interference proceeding and award priority to the applicant as against the existing patentee. See, *e.g.*, Patent Act of 1836, Ch. 357, § 8, 5 Stat. 117, 120-121 (July 4, 1836); Patent Act of 1870, Ch. 230, § 42, 16 Stat. 198, 204 (July 8, 1870); 35 U.S.C. § 135 (1952); *Hunt* v. *Howe*, 12 F. Cas. 918, 918 (C.C.D.D.C. 1855) (interference between patent application and existing patent). An interference could result in the cancellation of claims in the existing patent. See 35 U.S.C. § 135 (1952) ("A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved from the patent.").

More recently, Congress authorized the agency to review, and correct, its prior decisions to issue a patent through ex parte and inter partes reexaminations. See pages 9-10, *supra*. Each of these proceedings, like inter partes review, permitted the PTO to revisit its earlier decision on patentability and to cancel a patent or particular patent claims if the patent did not to meet the applicable standards—demonstrating Congress's firm and consistent com-

mitment to empowering the PTO to police the quality of existing patents. Congress's decision to subject patents to continuing administrative control should be respected. See, *e.g.*, *Thomas* v. *Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 594 (1985) (holding that Congress may designate matters as "appropriate for agency resolution" pursuant to a "public regulatory scheme").

2. Petitioner contends that this Court's precedents only permit Article I tribunals to adjudicate "new statutory obligations" without historical analogs to actions adjudicated by courts (Pet. Br. 33), but petitioner is wrong. Nothing in this Court's cases requires a statutory framework to be wholly divorced from actions adjudicated by courts in order to permit adjudication by an Article I tribunal.

For example, bankruptcy proceedings were handled by district courts under the Bankruptcy Acts of 1841 and 1867. Ch. 9, § 1, 5 Stat. 440, 440-442; Ch. 176, § 2, 14 Stat. 517, 518. But in the Bankruptcy Act of 1898, Congress delegated bankruptcy proceedings to Article I bankruptcy judges, who still adjudicate those proceedings today. While this Court has held that certain types of claims in bankruptcy proceedings implicate private rights and thus require adjudication by an Article III judge (see *Stern*, 564 U.S. at 493), it has never repudiated Congress's delegation of "core" bankruptcy matters—which are grounded in the Bankruptcy Code—to Article I tribunals. See *N. Pipeline Const. Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50, 71 (1982) (plurality opinion) (distinguishing between "the restructuring of debtor-creditor relations, which is at the core of the federal bankruptcy power" and "may well be a 'public right,'"

and "the adjudication of state-created private rights, such as the right to recover contract damages").

The same result should obtain in this context: although courts have historically adjudicated certain patent matters, patent law's grounding in a federal statutory framework controlled by Congress makes administrative cancellation of patents wholly permissible.

3. Some *amici* have expressed concern that allowing agency adjudication of patent rights "erode[s]" patentees' property rights. *E.g.*, Br. of Intellectual Prop. Owners Ass'n at 9.

A patent *is* a form of property that is protected by the Takings Clause, as this Court has frequently recognized. See, e.g., *Horne* v. *Dep't of Agric.*, 135 S. Ct. 2419, 2427 (2015) ("A patent confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation." (brackets omitted) (quoting *James* v. *Campbell*, 104 U.S. 356, 358 (1882)); *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183, 197 (1856). Indeed, as the Court held in *James*, the very text of the Patent and Copyright Clause protects patents granted pursuant to the system established by Congress from being taken without compensation: the Clause grants inventors the "exclusive right" to their "discoveries," and that right "could not be effected if the government had a reserved right to * * * use such inventions without the consent of the owner." *James*, 104 U.S. at 358.

The fact that patents are a form of property, however, does not preclude Congress from authorizing the agency that grants patents, and thus creates patent rights, from revisiting its own decisions and

cancelling wrongfully-issued patents through administrative proceedings.

Patent rights exist by virtue of government action, rather than arising inherently through the common law. *E.g.*, *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964) (noting that patent rights "exist only by virtue of statute"); *United States* v. *Line Materials Co.*, 333 U.S. 287, 345 (1948) (explaining that the "'patent right[]' * * * is added to the common law right of the inventor * * * by authority of the Constitution and of the federal statutes").

This Court has repeatedly held that where an entitlement is founded on federal law, Congress may entrust its adjudication to a non-Article III decision maker even though the interest can be characterized as property. See, *e.g.*, *Thomas*, 473 U.S. at 584-85 (pesticide manufacturers' claims to compensation from the submitters of follow-on pesticide registration applications could be entrusted by Congress to binding arbitration, because the right to compensation derived from federal law). See also, *e.g.*, *Stern*, 564 U.S. at 498 (noting that bankruptcy courts—non-Article III tribunals—may adjudicate "right[s] of recovery created by federal bankruptcy law").

Moreover, Congress *more than 35 years ago* authorized the PTO to review previously-granted patents in ex parte reexaminations. See page 9, *supra*. Given that patents are issued for 20-year terms (35 U.S.C. § 154(a)(2)), any person who applied for a patent that remains extant today did so knowing it was subject to further review by the PTO, either on the PTO's own initiative, by the owner's request, or pursuant to a third party's request.

No patentee, therefore, can argue that inter partes review upsets any settled expectation about the scope of its rights at the time the patent was granted. Post-grant review by the PTO—in the form of inter partes reexamination or inter partes review, depending on the time of the particular patent grant—was in the statute at the time the patents were issued.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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